HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)

THE FINANCIAL STATEMENTS
AND AUDIT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Independent Auditors' Report

To the Shareholders of

Herfy For Food Services - Joint Stock Company

Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Herfy For Food Services – Saudi Joint Stock Company- ("the Company") which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and comprehensive income, changes in equity, and cash flows for the year then ended. and notes. comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis of our opinion.

Independence

We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon. and we do not provide a separate opinion on these matters.

(1) Revenue recognition

The Company's sales arrangements are generally straightforward, being on a point of sale basis with a right of return provided to the buyer in case of expiry of the product sold. Further, there continues to be pressure on the Company to meet expectations and targets. which may cause misstatement of revenue.

Revenue recognition is considered a key audit matter as there is a risk that management may override controls to misstate revenue transactions. either through inappropriate assessment of the sales return or by recording fictitious revenue transactions.

We performed the following procedures in relation to revenue recognition:

Our procedures included considering the appropriateness of revenue recognition as per the Company policies, and assessing compliance with applicable accounting standards. We tested the design and effectiveness of internal controls implemented by the Company through the revenue cycle. We tested sales transactions taking place at either side of the statement of financial position date to assess whether the revenue was recognised in the correct period.

We also performed an analytical review on revenue based on trends of sales and profit margins, and comparing them with the prior year.

(2) Valuation of Inventories

Inventories are stated at the lower of cost or net realizable value and an allowance is made by the Company, where necessary, for slow moving inventories. The management determines the level of obsolescence of inventories considering the nature. ageing profile, its expiry and sales expectations using historic trends and other qualitative factors. Further, at each reporting at each reporting date, management reviews the valuation of inventories and the costs of inventories are written down where inventories are forecasted to be sold at below cost.

We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on Net Realisable Value (NRV) assessment.

We performed the following audit procedures in relation to valuation of inventories:

- Assessed the design and implementation. and tested the effectiveness of the Company's

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control around determination and monitoring of the allowance for slow moving inventories;

- Evaluated the Company's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual results;
- Checked that the allowance for slow moving inventories is computed in accordance with the Company's policy based on the inventories' ageing report;
- Inquired for any identified expired or slow-moving inventories during our attendance of physical counts on selected locations; and
- Tested the Net Realisable Values of finished goods inventories by considering actual sales post year-end and the assumptions used by the management to check whether inventories are valued at the lower of cost and Net Realisable Value.

(3) Implementation of IFRS (16) "Leases"

From January 1.2019 The Company adopted IFRS (16) "Leases" and this new standard supersedes the requirements of IAS 17 'Leases'.

Management performed a detailed analysis of each lease contract to identify differences between the requirements of the two standards. identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with identification of whether an arrangement meets the definition of a lease.

IFRS 16 principally modifies the accounting treatment of operating leases at inception, with the recognition of a right-of-use on the leased asset and a corresponding liability for the discounted amount of lease payments over the term of lease contract.

The Company has chosen to apply IFRS 16 "Leases" under using the modified retrospective approach.

We have reviewed the Company's compliance with the requirements of the new standards in terms of accounting policies and treatments, presentation and disclosure.

Other Information

Management is the responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and conclude that there is a material misstatement therein. we are required to communicate the matter to those charged with governance.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. Company's By-laws and Companies regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations. or has no realistic alternative but to do SO.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance. but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if. individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements. whether due to fraud or error. design and perform audit procedures responsive to those risks, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. as fraud may involve collusion, forgery, intentional omissions. misrepresentations. or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and. based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in

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the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements. including the disclosures. and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction. supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings. including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

SAUDI GROUP FOR ACCONTING

DAKHEEL ALI AL-DAKHEEL
LIC NO.(96)

Date: JUMADAII, 25, 1441 H)
Corresponding to: February, 19, 2020

SAUDI GROUP FOR ACCOUNTING & AUDITING CO.
AL-JASSER AL-DAKHEEL
C.R. 1010442297
C.C. No. 323/11/1
CERTIFIED PUBLIC ACCOUNTANTS

Herfy Food Services Company
(A Saudi Joint Stock Company)
Statement of Financial Position as at 31 December 2019
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	31 December 2019	31 December 2018
Assets			
Non-Current Assets			
Property, Plant and Equipment	(5)	1,043,497,337	1,059,855,196
Right of Use Assets	(6-1)	582,864,247	-
Net Investment in finance lease	(7)	10,928,911	-
Intangible Assets	(8)	15,442,588	10,223,424
Investment Property	(9)	29,880,890	33,178,001
		1,682,613,973	**1,103,256,621**
Current Assets			
Inventories	(10)	156,765,511	115,372,732
Trade Receivables and Other Receivables	(11)	140,090,168	175,859,893
Net Investment in finance lease	(7)	1,534,095	-
Investements at Fair Value through profit and loss	(12)	26,515,939	30,887,603
Cash and Bank Balances	(13)	25,943,078	17,023,147
		350,848,791	**339,143,375**
TOTAL ASSETS		**2,033,462,764**	**1,442,399,996**
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	(14)	646,800,000	646,800,000
Statutory Reserve		80,498,899	59,389,111
Retained Earnings		270,687,385	226,678,377
TOTAL EQUITY		**997,986,284**	**932,867,488**
Liabilities			
Non-Current Liabilities			
Long Term Borrowings	(15)	57,493,089	145,348,723
Lease Laibilities	(6-2)	496,966,719	-
Employee Benefits	(16)	72,900,362	65,527,657
		627,360,170	**210,876,380**
Current Liabilities			
Current Portion of LongTerm Borrowings	(15)	137,810,657	100,002,605
Lease Laibilities	(6-2)	82,361,166	-
Trade and Other Payables	(17)	174,277,036	188,939,705
Zakat	(18)	13,667,451	9,713,818
		408,116,310	**298,656,128**
TOTAL LIABILITIES		**1,035,476,480**	**509,532,508**
TOTAL EQUITY AND LIABILITIES		**2,033,462,764**	**1,442,399,996**

The accompanying notes (1) to (32) form an integral part of these financial statements

Herfy Food Services Company
(A Saudi Joint Stock Company)
Statement Of Profit Or Loss and Other comprehensive income For The Year Ended 31 December 2019
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	2019	2018
Revenue		1,288,310,097	1,227,269,910
Cost of Revenue	(19)	(895,673,109)	(882,199,546)
Gross Profit		**392,636,988**	**345,070,364**
Other Revenue (net)	(20)	16,866,631	11,713,768
Selling and Distribution Expenses	(21)	(87,572,897)	(61,110,835)
General and Administration Expenses	(22)	(83,476,299)	(75,072,947)
Operating Profit		**238,454,423**	**220,600,350**
Finance Cost	(23)	(37,309,083)	(12,765,416)
Profit before zakat		**201,145,340**	**207,834,934**
Zakat	(18)	(5,057,700)	(3,665,425)
Profit for the year		**196,087,640**	**204,169,509**
Other Comprehensive Income			
Items that will not be classified to profit or loss			
Remeasurement of defined Benefit liabilities	(16)	(335,883)	(439,227)
Total Other Comprehensive Income for the year		**(335,883)**	**(439,227)**
Total Comprehensive Income for the year		**195,751,757**	**203,730,282**
Earnings per Share (SAR). based on Profit for the year	(24)		
- Basic		**3.03**	**3.16**
- Diluted		**3.03**	**3.16**

The accompanying notes (1) to (32) form an integral part of these financial statements

Herfy Food Services Company
(A Saudi Joint Stock Company)
Statement of Changes In Equity For The Year Ended 31 December 2019
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Share Capital	Statutory Reserve	Retained Earnings	TOTAL EQUITY
Balance at 01 January 2018	**646 800 000**	**38 972 160**	**181 043 046**	**866 815 206**
Profit for the year	-	-	204 169 509	204 169 509
Other Comprehensive Loss for the year	-	-	(439 227)	(439 227)
Total Comprehensive Income	-	-	**203 730 282**	**203 730 282**
Transfer to statutory reserve	-	20 416 951	(20 416 951)	-
Dividends distributed	-	-	(137 678 000)	(137 678 000)
Balance at 31 December2018	**646 800 000**	**59 389 111**	**226 678 377**	**932 867 488**
Balance at 01 January 2019	**646 800 000**	**59 389 111**	**226 678 377**	**932 867 488**
Adustment for Right of Use Assets	-	692 837	6 235 532	6 928 369
Adjusted Balance at 01 January 2019	**646 800 000**	**60 081 948**	**232 913 909**	**939 795 857**
Profit for the year	-	-	196 087 640	196 087 640
Other Comprehensive loss for the year	-	-	(335 883)	(335 883)
Total Comprehensive Income	-	-	**195 751 757**	**195 751 757**
Dividends distributed	-	-	(137 561 330)	(137 561 330)
Transfer to statutory reserve	-	20 416 951	(20 416 951)	-
Balance at 31 December2019	**646 800 000**	**80 498 899**	**270 687 385**	**997 986 284**

The accompanying notes (1) to (32) form an integral part of these financial statements

Herfy Food Services Company
(A Saudi Joint Stock Company)
Statement Of Cash Flows For The Year Ended 31 December 2019
(All Amounts In Saudi Riyals Unless Otherwise Stated)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2019	2018
Profit for the period		196,087,640	204,169,509
Depreciation and Amortization		87,512,537	78,735,805
Provision for Employee Benefits	(16)	11,246,520	12,508,997
Provision of Bad debt	(11)	2,000,000	-
(Gain) on sale of property, plant and equipment	(5)	(1,496,618)	(773,171)
Financial charges	(23)	8,119,829	12,765,416
Zakat	(18)	5,057,700	3,665,425
		308,527,608	**311,071,981**
Changes in			
Inventories	(10)	(41,392,779)	11,473,275
Trade, Other Receivables and Prepayments	(11)	33,769,723	(10,576,679)
Right of Use Assets	(6)	(3,536,362)	-
Trade and Other Payables	(17)	(14,662,669)	65,738,351
Cash Used in Operating Activities		**282,705,521**	**377,706,928**
Employee Benefits Paid	(16)	(4,209,698)	(9,873,584)
Zakat payments	(18)	(1,104,067)	(2,348,645)
Net Cash Generated from Operating Activities		**277,391,756**	**365,484,699**
CASH FLOWS FROM I NVESTING ACTIVITIES			
Additions to Property, Plant and Equipment	(5)	(76,222,560)	(97,613,557)
Additions to Investment Properties	(9)	(877,711)	-
Net Investment in finance lease	(7)	(12,463,006)	-
Proceeds from sale from property, plant and equipment	(5)	5,520,157	1,804,152
Investements at Fair Value through profit and loss	(12)	4,371,664	(30,327,912)
Net Cash Used in Investing Activities		**(79,671,456)**	**(126,137,317)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Loans	(15)	112,713,970	39,199,508
Repayment of loans and borrowings	(15)	(170,881,378)	(136,550,325)
Adjustment for the Right of Use Assets		6,928,369	-
Dividends distributed		(137,561,330)	(137,678,000)
Net cash flows from / (used in) financing activities		**(188,800,369)**	**(235,028,817)**
Net increase / (decrease) in cash and cash equivalents		**8,919,931**	**4,318,565**
Cash and Cash Equivalents at 01January	(13)	17,023,147	12,704,582
Cash and Cash Equivalents at 31 December	(13)	**25,943,078**	**17,023,147**

The accompanying notes (1) to (32) form an integral part of these financial statements

1 Corporate information

HERFY Food Services Company, "Company", "HERFY" is principally engaged in establishing and operating restaurants, providing companies and others with cooked meals, production and sale of bakery and pastry products, the sale and purchase of lands for the purpose of constructing building and own use, maintain and lease stores and food store fridges.

The Company is joint stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010037702 issued to Riyadh on Jamad-ul-Awal 4,1401H (March 9,1981). The registered address of the Company is at Al Moroug District, P.O. Box 86958 Riyadh 11632, Kingdom of Saudi Arabia.

At December 31, 2019, the total number of restaurants owned and leased by the Company were 40 and 342 respectively (December 31, 2018: 40 owned and 329 leased), operating in the Kingdom of Saudi Arabia under the trademark of "HERFY". The Company also operates bakeries and bakery shops "Herfy Bakeries/ Doka".

During 2005, the Company established a meat factory in Riyadh ("Meat Factory"), which operates under commercial registration number 1010200515 issued on Jamad - ul-Thani 16, 1425 (August 2, 2004) and in accordance with industrial license number 249 /S issued on Safar 16, 1422H (May 9, 2001). The Meat factory commenced production in October 2005.

During 2012, the Company established a cake factory in Riyadh ("Cake Factory"), which operates under commercial registration number 1010294755 issued on Shawal 20, 1431 H (September 29, 2010) and in accordance with industrial license number 11583/T issued on Shawwal 18, 1431 H (September 27,2010). The cake factory commenced production in June 2012.

The accompanying financial statements include the accounts of the Company's head office and aforementioned restaurants, bakeries, shops and factories.

2 BASIS OF PREPARATION

2-1 Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA").

These Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.

3 FUNCTIONAL AND PRESENTATION CURRENCY

These Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the Saudi Riyal, unless otherwise indicated.

4 Significant accounting policies

4-1 New Standards, Amendment to Standards and Interpretations:

The Company has adopted, as appropriate, the following new Standards, effective 1 January 2019.

4-1-1 IFRS 16 - Leases

The Company applies IFRS 16 using the modified retrospective approach from 1st January 2019, and therefore the comparative information in financial statements issued during 2019, will not been restated and will continue to be reported under IAS 17 and IFRIC 4.

IFRS 16 'Leases' introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The impact of adopting IFRS 16 on the Statement of Financial Position as at 1 January 2019.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or

- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Sublease classification

In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows:

(a) if the head lease is a short-term lease that the entity, as a lessee, has accounted for applying paragraph 6, the sublease shall be classified as an opera ting lease.

(b) otherwise the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (for example, the item of property, plant or equipment that is the subject of the lease).

4-2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted them in preparing these Consolidated Financial Statements.

4-2-1 Amendments to IFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

4-2-2 Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

i. use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;

ii. clarify the explanation of the definition of material; and

iii. incorporate some of the guidance in IAS 1 about immaterial information.

4-2-3 Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Consolidated Statement of Profit or Loss.

4-2-4 Annual Improvements to IFRSs 2015–2017 Cycle

IAS 23,' Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. The amendments are effective from 1 January 2019, with early application permitted, subject to EU endorsement.

4-3 Property, Plant and Equipment

Property, Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and amount can be measured reliably.

Finance costs on borrowings to finance the construction of the qualifying assets are capitalized during the period of time that is required to substantially complete and prepare the qualifying asset for its intended use.

The cost less estimated residual value is depreciated on straight-line basis over the following estimated useful lives of the assets:

Buildings On owned lands	35 Years
Buildings On leased lands	the Lower of 20 years or the rent period
Plant, Machinery and Equipment	4-20 years
and Office Equipment Furniture	6-7 years
Motor Vehicles	5- 10 years
Land and Capital Work in Progress are not depreciated.	

Capital work in progress at period end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

4-4 Investment properties

Investment properties are measured initially at cost. Transaction costs are included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes professional fees for legal services, property transfer taxes and other transaction costs. Subsequent to initial recognition, investment properties are recognised at cost as the fair value method of the investment property currently is not allowed under IFRS as adopted by SOCPA.

4-5 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of Profit or Loss and expenses in the expense category consistent with the function of the intangible assets.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

4-6 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realizable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary, for obsolete, slow moving and defective stocks.

4-7 Cash and Cash Equivalents

Cash and cash equivalents include bank balances and deposits with original maturities of three months or less, if any. It also includes bank overdrafts which form an integral part of the Company's cash management and are likely to fluctuate from overdrawn to positive balances.

4-8 Impairment of Non-Financial Assets

Non-financial assets (other than inventories) are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash- generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4-9 Statutory Reserve

In accordance with Section (129) of the Regulations for Companies in Kingdom of Saudi Arabia and the section (41) of the Company's by-laws and, The Company is required to recognise a reserve comprising of 10% of its Net Income for the year. As per the by-laws the Company will cease the contribution when such reserve will reach 30% of its Share Capital.

4-10 Provisions

A provision is recognised if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

4-11 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

4-12 Zakat and income tax

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

4-13 Employee Benefits

Employee benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

The company sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Company's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in Statement of Other Comprehensive Income. The Company determines net interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in Statement of Profit or Loss.

4-14 Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. Products are sold principally on a sale or return basis.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The Company's revenue generating activities are as follows:

(1) Restaurants Sales

Restaurants sales are made on cash basis and are recognised on receipt basis.

(2) Factories, Bakeries and Catering services

Revenues from factories, bakeries catering services and other sales are recognised upon delivery of goods to the customer.

(3) Other Income

Rentals and Franchise income are accounted on a straight-line basis over the terms of the contract and are recognised in 'Other Income'.

(4) Supplier Rebate

The supplier rebate received are recognised primarily as a deduction from cost of sales based on entitlement that has been earned up to the balance sheet date, for each relevant supplier arrangement.

4-15 Foreign Currencies

Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognised in statement of Profit or Loss in the period in which they occur.

4-16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs incurred before and after the date of transition (1 January 2016) for all eligible qualifying assets are capitalised.

4-17 Selling, Distribution, General and Administration Expenses

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Company charges the payments, other than those related to volume-based rebates, made in respect of long-term agreements with customers and distributors to Selling and Distribution Expenses.

4-18 Segmental Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Company's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4-19 Use of Judgements and Estimates

The preparation of Financial Statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires the use of judgments, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the Statement of Financial Position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4-20 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company.

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

5 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Furniture and Office Equipment	Motor Vehicles	Capital Work-in-Progress	Total
Cost:							
At the beginning of the year	178,427,855	641,717,562	472,027,635	105,683,923	78,537,720	165,097,040	**1,641,491,735**
Additions	-	713,111	4,286,671	1,347,061	3,814,126	66,061,591	**76,222,560**
Disposal and Transfer	(1,166,942)	-	(3,581,230)	-	(715,603)	-	**(5,463,775)**
Transfer from Capital Work-in-Progress	-	75,187,824	15,163,092	15,823,573	-	(113,896,737)	**(7,722,248)**
At the end of year	**177,260,913**	**717,618,497**	**487,896,168**	**122,854,557**	**81,636,243**	**117,261,894**	**1,704,528,272**
Accumulated Depreciation:							
At the beginning of the year	-	238,998,266	236,609,854	54,010,012	52,018,407	-	**581,636,539**
Charge for the year	-	29,773,642	32,542,408	13,539,957	4,978,625	-	**80,834,632**
Disposal and Transfer	-	-	(725,108)	-	(715,128)	-	**(1,440,236)**
At the end of year	-	**268,771,908**	**268,427,154**	**67,549,969**	**56,281,904**	-	**661,030,935**
Net Book Values:							
At 31 December 2019	**177,260,913**	**448,846,589**	**219,469,014**	**55,304,588**	**25,354,339**	**117,261,894**	**1,043,497,337**
At 31 December 2018	**178,427,855**	**402,719,296**	**235,417,781**	**51,673,911**	**26,519,313**	**165,097,040**	**1,059,855,196**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

6- Leases

6-1 Right Of Use Asstes

	Land	Building	Total
At the beginning of the year	301,817,102	345,523,359	647,340,461
Additions	-	12,502,485	12,502,485
Depreciation for the year	(26,145,123)	(50,833,576)	(76,978,699)
Net book value (Non Audited)	**275,671,979**	**307,192,268**	**582,864,247**

Depreciation are distributed on the Items of income as followings:

Cost of Revenue	33,656,746	38,530,594	72,187,340
Selling and Distribution Expenses	99,793	114,243	214,036
General and Administration Expenses	2,134,139	2,443,184	4,577,323
	35,890,678	**41,088,021**	**76,978,699**

6-2 Lease liabilities

The weighted-average rate applied is 4.25 % for all the leases of the Company based on varying lease terms.

	31 December 2019	31 December 2018
Less than one year	82,361,166	-
More than one year	496,966,719	-
Total lease liabilities	**579,327,885**	-
Current	82,361,166	-
Non-current	496,966,719	-
	579,327,885	-

Set out below, are the amounts recognised in profit or loss:

	31 December 2019
Depreciation expense of right-of-use assets	76,978,699
Interest expense on lease liabilities	29,738,378
Rent expense - short-term leases	34,073,460
Total amounts recognised in profit or loss	**140,790,537**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

-7 Net Invesment in Finance Lease

	31 December 2019
Carrying Amonut - beginng of Year	13,766,382
Addition During the Year	-
Lease payments Received	(1,852,500)
Finance Income	549,124
Carrying Amonut - End of Year	**12,463,006**

Distrbuted as following:

	Gross Investment (Undiscounted)	Unearned finance Charge	Net Investment (Discounted)
Future Lease Payments expected to be received			
During one year	1,895,000	360,905	1,534,095
more than one year	13,500,000	2,571,089	10,928,911
	15,395,000	**2,931,994**	**12,463,006**

8- Intangible Assets

	31 December 2019	31 December 2018
Cost:		
At the beginning of the year	18,000,229	17,442,556
Additions	-	617,673
Transfer from Projects under construction	7,722,247	-
Disposal	-	(60,000)
At the end of year	**25,722,476**	**18,000,229**
Accumulated Amortization		
At the beginning of the year	7,776,805	6,102,650
Charge for the year	2,503,083	1,715,703
Disposal	-	(41,548)
At the end of year	**10,279,888**	**7,776,805**
Net Book Values	**15,442,588**	**10,223,424**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

9- Investment Properties

	31 December 2019	31 December 2018
Cost:		
At the beginning of the year	57,513,185	50,845,039
Additions	877,711	1,059,284
Transfer from Projects under construction	-	5,608,862
At the end of year	**58 390 896**	**57 513 185**
Accumulated Depreciation:		
At the beginning of the year	20,335,184	16,232,317
Charge for the year	4,174,822	4,102,867
At the end of year	**24,510,006**	**20,335,184**
Provision for impairment	4,000,000	4,000,000
Net Book Values	**29,880,890**	**33,178,001**

The above investment properties also include buildings or part thereof, which have been kept for the purposes of earning rental income.

In addition of one land parcel held by the Company for capital appreciation which it cost SR 4 million. On the audit committee recommendation on May 24, 2015 to implementation of the Board 's decision in its meeting on July 14, 2014 the provision of 2 million was estimated the meet the potential decline in the value of contributing, And due to the current circumstances point to faltering possession with increased probability of failure recovery of payments to the value of that contribution, and the recommendation of the audit Committee increase the provision by rest of the value of contributing to become 4 million Riyals.

The fair value of Land and Building in Investment Properties is amounted to SR 29.15millionThe fair value is amounted to SR 29.46 million.

Measurement of fair value

The fair value of investment property was determined by external, independent property valuer, having appropriate recognised professional qualifications (are required by Ministry of commerce and investment) rand recent experience in the location and category of the property being valued.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

10- Inventories

	31 December 2019	31 December 2018
Raw materials	80,847,318	41,683,917
Packing materials	14,808,945	13,058,085
Spare parts, not held for sale	40,488,354	40,637,925
Operational supplies	21,345,004	20,716,915
	157,489,621	**116,096,842**
Less: provision for slow moving inventory	(724,110)	(724,110)
	156,765,511	**115,372,732**

Movement in provision for slow moving inventory is as follows:

1 January 2019	724,110	724,110
Additions	-	-
Reversal	-	-
31 December 2019	**724,110**	**724,110**

11- Trade Receivables and Other Receivables

	31 December 2019	31 December 2018
Trade Receivables - related parties	12,047,205	13,567,310
Trade Receivables - other	42,905,658	35,192,281
	54,952,863	**48,759,591**
Less: Allowance for impairment of trade receivables		
Allowance for impairment of trade receivables	(4,009,146)	(2,009,146)
	50,943,717	**46,750,445**
Prepayments	47,562,049	70,280,876
Other Receivables	41,584,402	58,828,572
	140,090,168	**175,859,893**

Ageing of Trade Receivables

Up to 3 months	30,105,607	33,200,445
More than 3 months	24,847,256	15,559,146
	54,952,863	**48,759,591**

Movement in allowance for Impairment of Trade Receivables is as follows

	31 December 2019	31 December 2018
At the beginning of the year	2,009,146	2,009,146
Allowance made during the year	2,000,000	-
Allowance (reversed) during the year	-	-
At the end of the year	**4,009,146**	**2,009,146**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

12- Investments at Fair Value through profit and loss

Investments at Fair Value through profit and loss is investment in Commodities Modaraba Al-Rajhi Fund - SAR. The movement in Investments FVTPL as follows:

	31 December 2019	31 December 2018
Opening balance	30,887,603	559,691
Purchasing	235,000,000	219,500,000
Redemption	(239,423,195)	(189,208,436)
Change in fair value	51,531	36,348
Closing balance	**26,515,939**	**30,887,603**

13- Cash and Bank Balances

	31 December 2019	31 December 2018
Cash in Bank	20,219,374	10,233,767
Cash in Hand	5,723,704	6,789,380
	25 943 078	**17 023 147**

Cash in bank include SR 559 690 investment in Commodities Mudaraba Fund - SAR

14- Share Capital

The Company's paid-up capital consists of 64.680 million shares (31 December2017 : 64.68 million shares) of SAR 10 each.

At the Extraordinary General Assembly meeting held on 22 May 2017, the shareholders of the Company decided to increase the Company's capital from SR 462 million to SR 646.8 million. This increase was made by SR 184.8 million through the transfer of SR 120 million and SR 64.8 million from statutory reserve and retained earning, The total number of shares increased from 46.2 million shares to 64.68 million shares at a nominal value of SR 10 per share.

15- Loans and borrowings

	31 December 2019	31 December 2018
Al Rajhi Bank	93,689,931	181,627,088
SIDF loan	17,630,250	27,910,750
SAAB Bank	83,983,565	15,702,202
Riyadh Bank	-	20,111,288
	195,303,746	**245,351,328**

	31 December 2019	31 December 2018
Non-Current	57,493,089	145,348,723
Current Portion of Long-term Borrowings	137,810,657	100,002,605
	195,303,746	**245,351,328**

15-1 Details of long term loans

(All Amounts In Saudi Riyals Unless Otherwise Stated)

15-1-1 Al Rajhi Bank

The Company has various facilities available with Al Rajhi bank. Such facilities, which are unsecured and payable in semi annual installments, have mark up cost which is generally based on SIBOR plus a margin fixed for the duration of the facility. During the year ended December 31, 2019 the Company repaid an amount of Saudi Riyals 94,23 million (December 31, 2018 : Saudi Riyals 139.07 million).

15-1-2 Loans from SIDF

Under the terms of the SIDF loan agreement and extension agreement ("agreements"), the Company's Property, plant and equipment that relate to the meat and cake factories are pledged as collateral against financings from SIDF. These loans are also guaranteed by the majority shareholders on pro-rata basis where Savola Group and Mr. Ahmed Al Saeed have guaranteed 70% and 30% of the amount respectively.

These loans are repayable in semi-annual installments. SIDF charges and upfront fee are presented net of the borrowings amount. The Company has to comply with certain covenants related to the loans availed for meat factory regarding the maintenance of certain financial ratios, distribution of profits, maximum rental charges and maximum capital expenditures

The information about liquidity risk is explained in note 29-2

15-1-3 SABB Bank

The Company has a Murabaha Liquidity Finance by Metal (Tawarruq) agreement with SABB Bank for five years, which is repriced every three months, during the year ending 31 December 2019, the Company received SAR 70 million.

15-1-4 Riyadh Bank

The Company has a Murabaha Liquidity Finance by Metal (Tawarruq) agreement with Riyadh Bank, which is repriced evrey three monthes, during the year ending 31 December 2019, the Company received SAR 40 million.

16- Employee Benefits

16-1 Defined benefit liability

	31 December 2019	31 December 2018
Net defined benefit liability	72,900,362	65,527,657
Total Net defined benefit liability	**72,900,362**	**65,527,657**

16-1-1 Movement in present value of defined benefit obligation

	31 December 2019	31 December 2018
Opening balance - present value of defined benefit obligation	65,527,657	62,453,017
Current service cost	11,246,520	12,508,997
Benefits paid	(4,209,698)	(9,873,584)
Actuarial loss / (gain) on obligation	335,883	439,227
Closing balance - present value of defined benefit obligation	**72,900,362**	**65,527,657**

16-1-2 Assumption summary

(All Amounts In Saudi Riyals Unless Otherwise Stated)

Membership Data	**31 December 2019**	**31 December 2018**
Number of employees	5,579	6,126
Salary increase rate	3.20%	3.00%
Average age of employees (years)	32.18	31.34
Average number of years of previous experience	4.54	4.53
Discount Rate	3.00%	4.25%

16-1-3 Sensitivity in Defined Benefit Obligation

Particulars	**SR**	**Percentage Change**
Current Liability	72,900,362	
+1% Discount Rate	68,086,917	(6.60%)
-1% Discount Rate	78,478,155	7.65%
+1% Salary Increase Rate	78,861,914	8.18%
-1% Salary Increase Rate	67,664,188	(7.18%)
+10% Withdrawal Rates	72,907,878	0.01%
-10% Withdrawal Rates	72,892,748	(0.01%)
Mortality +10%	72,533,687	(0.50%)
Mortality -10%	73,281,610	0.52%

17- Trade And Other Payables

	31 December 2019	**31 December 2018**
Trade payable - related parties (note 26)	7,487,686	9,640,005
Trade payable - third parties	94,465,091	118,578,998
Accrued Expenses	58,281,993	53,510,502
Other Payables	14,042,266	7,210,200
	174,277,036	**188,939,705**

18- Zakat

18-1 Movement in provision for zakat

	31 December 2019	**31 December 2018**
Opening Balance	9,713,818	8,397,038
Provision for Current year	5,057,700	3,665,425
Payments	(1,104,067)	(2,348,645)
Closing balance	**13,667,451**	**9,713,818**

Zakat has been calculated based on zakat base for the Company. The Company has filed its Zakat return up to the year ended 31 December 2018.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

18-2 Components of zakat base

	31 December 2019	31 December 2018
Shareholders' Equity at beginning of the year	932,867,488	866,815,206
Provisions at beginning of the year	72,260,913	69,186,273
Long-term borrowings at beginning of the year	188,682,679	213,719,272
Adjusted net income for the year , before adjustment for expenditure on property , plant and equipment	579,327,885	-
Property , plant and equipment, as adjusted	214,391,860	220,343,931
Spare parts, not held for sale	(1,682,613,973)	(1,103,256,615)
Dividends and Board of Directors remuneration paid	(40,488,354)	(40,637,925)
Estimated zakat base	(137,561,330)	(137,678,000)
	126,867,168	**88,492,142**

Zakat is payable at 2.5 percent of higher of the estimated zakat base and adjusted net income.

18-3 Adjusted net income

	2019	2018
Income for the year before zakat	201,145,340	207,834,934
Adjustments :	-	-
Provisions during the year	13,246,520	12,508,998
Depreciation differences	-	-
Adjusted net income for the year, before adjustment for expenditure on property, plant and equipment	**214,391,860**	**220,343,932**
Less: Expenditure on property, plant and equipment during the year.	(77,100,271)	(97,740,015)
	137,291,589	**122,603,917**

19- Cost of Revenue

	2019	2018
Material Consumed	365,099,714	372,404,867
Employee Costs	251,219,671	249,081,891
Depreciation &Amortisation	149,313,880	68,512,032
Rent	33,393,211	96,979,317
Electric & Other Utilities Cost	58,755,358	56,687,372
Repairs and Maintenance	15,342,304	17,410,952
Other Over Heads Cost	22,548,971	21,123,115
	895,673,109	**882,199,546**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

20- Other Revenue (net)

	2019	2018
Rental income	6,188,184	6,396,729
Franchise income	1,687,194	1,316,779
Other	7,494,635	3,227,089
Gain on sale of Property, plant and equipment	1,496,618	773,171
	16,866,631	**11,713,768**

Franchaise revenue consists mainly of accrued revenue calculated on the basis of the percentage of sales in accordance with the terms and conditions agreed between the company and the franchise parties in the State of Kuwait and Bangladesh.

21- Selling And Distribution Expenses

	2019	2018
Marketing Expenses	20,764,842	15,889,999
Employee Costs	20,968,706	19,717,046
Depreciation &Amortisation	3,119,708	2,779,927
Repairs and Maintenance	3,498,923	3,191,607
Commissions	30,068,542	13,839,401
Other Expenses	9,152,176	5,692,855
	87,572,897	**61,110,835**

22- General And Administration Expenses

	2019	2018
Employee Costs	54,511,788	47,475,311
Management fees	6,064,071	6,427,885
Depreciation &Amortisation	12,057,647	7,443,847
Travel expenses	1,923,553	1,913,175
Repairs and maintenance	637,862	746,959
Telephone and electricity	1,469,244	2,503,330
Other	6,812,134	8,562,440
	83,476,299	**75,072,947**

23- Finance Cost

	2019	2018
Finance Cost -related to Loan	8,119,829	12,891,874
Finance Cost -related to lease liabilities	29,189,254	-
Capitalised Finance Cost	-	(126,458)
	37,309,083	**12,765,416**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

24- Earning Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	2019	2018
Profit for the year	196,087,640	204,169,509
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings.	64,680,000	64,680,000

Earnings per share for the two years ended 31 December 2019 and 2018were calculated by dividing the net income for the two years at 64.68 million shares.

25- Segment information

The Company operates principally in the following major business segments:

1- Providing catering services and operating of restaurants;

2- Manufacturing and selling of meat products of Meat Factory;

3- Manufacturing and selling of pastries and bakery products of Bakeries and other.

These operating segments are identified based on internal reports that the entity's Chief Financial Officer (CFO) regularly reviews in allocating resources to segments and in assessing their performance 'management approach'. The management approach is based on the way in which management organizes the segments within the entity for making operating decisions and in assessing performance. The management of HERFY at the end of every reporting period, reviews the above segments for quantitative thresholds as well as criteria for presenting the revenues and expenses for the segments.

25-1 Selected financial information as of December 31. and for the Period ended, summarized by the above business segments, was as follows (in Thousand Saudi Riyals)

	Restaurants and Catering service		Meat factory		Bakeries and other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Total segment revenue	1,092,053	1,049,565	145,275	128,824	172,919	161,011	**1,410,247**	**1,339,400**
Inter-segment revenue	-	-	(101,460)	(93,306)	(20,477)	(18,824)	**(121,937)**	**(112,130)**
Revenue net	**1,092,053**	**1,049,565**	**43,815**	**35,518**	**152,442**	**142,187**	**1,288,310**	**1,227,270**
Net income	123,085	131,684	41,235	39,110	31,768	33,375	**196,088**	**204,170**
Finance cost	36,333	12,382	193	94	784	289	**37,310**	**12,765**
Depreciation and amortizatio	140,799	58,258	6,748	6,164	16,956	14,314	**164,503**	**78,736**
Property, plant and equipmer	1,458,025	892,633	44,616	40,844	179,973	169,780	**1,682,614**	**1,103,257**
Total assets	1,646,332	1,096,536	123,800	197,678	263,330	148,186	**2,033,462**	**1,442,400**
Total Liabilities	952,015	434,070	24,129	18,880	59,332	56,583	**1,035,476**	**509,533**

The Company's operations are only conducted in the Kingdom of Saudi Arabia.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

26- Related party transactions

During the year the Company entered into the following significant transactions with related parties in the normal course of business and at prices and terms agreed by the Company's management:

26-1 Related Party - Trade Receivable

Nature of Transactions	Note	Transaction Amount		Balance at	
Sales to:		**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
APUC (Savola Group Subsidiary)		28,006,206	28,312,954	11,141,468	12,046,005
Bazbazah Int Company (owned by Mr. Khalid Al Saeed_ Board member)		474,562	107,465	590,275	1,306,700
Taza Restaurant Co. Ltd (Mr. Khalid Al Saeed_ Board member)		2,286,632	-	315,462	-
		30,767,400	28,420,419	12,047,205	13,352,705
Rent and services to:					
Bazbazah Company (owned by Mr. Khalid Al Saeed_ Board member)		247,167	841,167	-	-
		247,167	841,167	-	-
Total Related Party - Trade Receivable		31,014,567	29,261,586	12,047,205	13,352,705

26-2 Related Party - Trade and Other Payable

	Transaction 2019	Transaction 2018	Balance 2019	Balance 2018
Salaries, management fees, and other allowances:				
Mr. Ahmed Hamad Al Saeed (CEO)	7,104,500	7,703,885	3,944,164	4,088,195
	7,104,500	7,703,885	3,944,164	4,088,195
Rent From:				
Mr. Ahmed Hamad Al Saeed (CEO)	630,000	630,000	-	-
APUC (affiliate)	3,846,614	3,883,556	54,134	550,133
Qitaf enterprises (owned by Mr. Khalid Al Saeed_ Board member))	2,000,000	2,600,000	-	-
Mr. Khalid Al Saeed_ Board member	200,000	200,000	-	-
Bazbazah Company (owned by Mr. Khalid Al Saeed_ Board member)	435,000	593,300	456,750	-
Kinan Company(affiliate)	231,145	266,353	257,245	273,161
	7,342,759	8,173,209	768,129	823,294
Purchases From:				
Afia International Co. (affiliate)	2,345,743	2,247,008	245,557	225,908
Mama Sause Factory	17,379,086	14,941,215	1,112,481	1,410,616
Delmonty Company owned by Al Muhaidib Group (Mr. Esam Al-Muhaidib CEO) (Board member	3,745,073	-	966,944	-
Bazbazah Company (owned by Mr. Khalid Al Saeed_ Board member)	-	2,798,833	-	2,491,294
United Sugar Fcatory	2,146,919	2,420,229	307,390	316,255
AL MARAI CO.	5,603,811	5,312,252	143,020	284,443
	31,220,632	27,719,537	2,775,392	4,728,516
	45,667,891	43,596,631	7,487,685	9,640,005

26-3 Management Fees

In accordance with the Company's Bylaws, the Board of Directors is authorized to determine the management fees to be paid to the Managing Director. Accordingly, the Board of Directors decided to provide 3% of the Company's net income before management fees to be paid annually as management fees to the Managing Director. Mr. Ahmed Al Saeed, who is also a shareholder. Such amount is charged to the statement of profit or loss and included within general and administrative expenses (See Note 22)

26-4 Remunerations of the Company's key management personnel

The total remunerations of the Company's key management personnel for the year ended December 31, 2019 amounted to 10.44 million Saudi Riyals (2018: 14,84 million Saudi Riyal). Such remunerations include basic salaries, bonuses and other benefits as per the Company's policies.

Key management personnel are those persons, including the Board of Directors members, Managing Director and top executives having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

27- Contingencies and commitments

1) The Company is contingently liable for bank guarantees issued on behalf of the Company amounting to Saudi Riyals 7,65 million (31 December 2018: S R 6,88 million) and letters of credit issued on behalf of the Company amounting to Saudi Riyals 3.65 million (31 December 2018: S R 1,24 million) in the normal course of business.
2) The capital expenditure contracted by the Company but not incurred till December 31, 2019 is approximately Saudi Riyals 8,4 million (31 December 2018: S R 10,4 million)

28- Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(All Amounts In Saudi Riyals Unless Otherwise Stated)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount

	31-Dec-19						
	Carrying amount			Fair Value			
	Amortised cost	Other financial liabilitie	Total	Level 1	Level 2	Level 3	Total
Financial Assets measured at fair value							
Invesments in FVTPL	26,515,939	-	26,515,939	26,515,939	-	-	26,515,939
	26,515,939	-	**26,515,939**	**26,515,939**	-	-	**26,515,939**
Financial Assets not measured at fair value							
Trade and Other Receivables	140,090,168	-	140,090,168	-	-	-	-
Cash and Bank Balances	25,943,078	-	25,943,078	-	-	-	-
	166,033,246	-	**166,033,246**	-	-	-	-
Financial Liabilities not measured at fair value							
Loans and borrowings	-	195,303,746	195,303,746	-	195,303,746	-	195,303,746
Trade and Other Payables	-	174,277,036	174,277,036	-	174,277,036	-	174,277,036
	-	**369,580,782**	**369,580,782**	-	**369,580,782**	-	**369,580,782**

31-Dec-19

(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Carrying amount			Fair Value			
	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial Assets measured at fair value							
Invesments in FVTPL	30,887,603	-	30,887,603	30,887,603	-	-	30,887,603
	30,887,603	-	**30,887,603**	**30,887,603**	-	-	**30,887,603**
Financial Assets not measured at fair value							
Trade and Other Receivables	175,859,893	-	175,859,893	-	-	-	-
Cash and Bank Balances	17,023,147	-	17,023,147	-	-	-	-
	192,883,040	-	**192,883,040**	-	-	-	-
Financial Liabilities not measured at fair value							
Loans and borrowings		-	245,351,328	245,351,328	-	245,351,328	-	245,351,328
Trade and Other Payables		-	188,939,705	188,939,705	-	188,939,705	-	188,939,705
		-	**434,291,033**	**434,291,033**	-	**434,291,033**	-	**434,291,033**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

29- Risk Management of Financial Instruments

The Company's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk and capital management risk.

29-1 Credit Risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances, trade receivables and receivables from related parties as follows.

	31 December 2019	31 December 2018
Cash at Bank	20,219,374	10.233.767
Trade Receivables - Other Party	42.905.658	35.192.281
Trade Receivables - Related Party	12,047,205	13,567,310
	75,172,237	**58,993,358**

The carrying amount of financial assets represents the maximum credit exposure
Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from BBB+ to A 1.
- The receivable are shown net of allowance for impairment of trade receivables and sales returns.
- Financial position of related parties is stable.

The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Company's exposure to bad debts is not significant.
Trade receivables outstanding balance comprises of 100% in KSA at December 31, 2018.

29-2 Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted, and include estimated interest payments.

	31 December 2019			
	Carrying Amount	Less than 1 year	1 year to 5 years	More than 5 years
Borrowings	195,303,746	137,810,657	57,493,089	-
Trade and other payables	166,789,350	166,789,350	-	-
Trade Payables to Related Party	7,487,686	7,487,686	-	-
	369,580,782	**312,087,693**	**57,493,089**	-

	31 December 2018			
	Carrying Amount	Less than 1 year	1 year to 5 years	More than 5 years
Borrowings	245,351,328	100,002,605	145,348,723	-
Trade and other payables	100,074,458	100,074,458	-	-
Trade Payables to Related Party	3,497,545	3,497,545	-	-
	348,923,331	**203,574,608**	**145,348,723**	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. The Company's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

29-3 Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

29-4 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyals is pegged against US Dollar, the Company does not have any significant exposure to currency risk. The Company also has some transactions in EURO, which were not significant.

	31 December 2019				
	USD	EURO	GBP	AUD	AED
Cash at bank	320,816	114,424	-	12,144	-
Trade Payables	(1,124,178)	(232,755)	(2,131)	-	(55,805)
	(803,362)	**(118,331)**	**(2,131)**	**12,144**	**(55,805)**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

	31 December 2018				
	USD	EURO	GBP	AUD	AED
Cash at bank	833,043	91,996	(12,034)	12,144	-
Trade Payables	(696,824)	(122,861)	-	-	-
	136,219	**(30,866)**	**(12,034)**	**12,144**	-

29-5 Interest rate risk

Interest rate risks is the risk associated with the effect of fluctuation in the prevailing interest rates on the Company's financial position and cash flows. The Company interest rate arise mainly from its borrowings which are on fixed rate of interest therefore the cash flow interest rate risk is considered minimal. The rates of interest on borrowings are close to the market rates, therefore management believes that fair value is not significant.

29-6 Capital Management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

1) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

2) to provide an adequate return to shareholders

The Company manages the capital structure in the context of economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders and issue new shares.

The company relies heavily on long - term loans to meet its capital expenditures

30- Dividends

The Board of Directors of the Company , at its meeting held on 11 March 2019, recommended the distribution of cash dividends for the second half of 2018 in the amount of SR 71.148 million, at SR 1.1 per share, On 11 September 2019 the Board decided to distribute adividend of SR 64.480 milliom for the first half of 2019 at SR 1 per share. These all Based on the mandate given to the Board by the Assembly.

31- Subsequent Events

In the opinion of the management, there have been no significant subsequent events since the year end that would have a material impact on the financial position of the Company as reflected in these Financial Statements.

32- Board Of Directors Approval

These Financial Statements were approved by the Board of Directors on 25 JumadaII 1441 H. (19 Febrauary 2020).